BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
May 17, 2023

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on May 17, 2023. The Board met in compliance with New York State Open Meetings Law, as amended. The meeting was called to order at 1:04 PM.

Board Members Present
Interim Vice-Chair Jeanette T. Jurasek
Secretary Frederick G. Floss
Mayor Byron W. Brown (proxy Dowell)
County Executive Mark C. Poloncarz (proxy Cornell)

Board Members Excused
Chair R. Nils Olsen, Jr.
Director Andrew A. SanFilippo

Staff Present
Executive Director Jeanette M. Robe
Administrative Assistant Nikita M. Fortune
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst II/Manager of Technology Nathan D. Miller
Comptroller Claire A. Waldron

Additionally Present
Mr. Richard A. Grimm, III, Esq., Magavern Magavern & Grimm LLP
Ms. Mary Scarpine, Esq., Senior Deputy Corporation Counsel, City of Buffalo
Mr. James Barnes, Chief Financial Officer, Buffalo City School District
Mr. Nathaniel Kuzma, General Counsel, Buffalo City School District
Ms. Tracy Cooley, Director of Finance, Buffalo Urban Renewal Agency

Opening Remarks
Secretary Floss welcomed everyone to the May Board meeting and thanked all that were in attendance.

Roll Call of Directors
Secretary Floss then reviewed the agenda and asked Executive Director Robe to call the roll.

City of Buffalo ("City") Commissioner of Finance, Mr. Delano Dowell, represented Mayor Byron W. Brown in accordance with Subdivision 1 of §3853 of the BFSA Act.

Erie County Deputy Budget Director, Mark Cornell, represented County Executive Mark C. Poloncarz, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSA Act reads: "…The Mayor and the County Executive shall serve as ex officio members. Every director, who is otherwise an elected official of the City [of Buffalo] or County [of Erie], shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the single designee…"

It was noted that quorum was not met and that no action would be taken during the meeting, until (or if) a quorum is obtained.

<u>Buffalo City School District ("District" or "BCSD")</u>

Review of Buffalo Teachers' Federation ("BTF") Collective Bargaining Agreement ("CBA")

Secretary Floss advanced the agenda to review the CBA between the District and the BTF and invited the District to make an opening statement. General Counsel Nathaniel Kuzma apologized that Superintendent Williams was unable to make the BFSA meeting due to a scheduling conflict; however, the District welcomes input and feedback from the BFSA on the CBA. Executive Director Robe responded that because the contract was already ratified, the BFSA will not provide a review of the contract; however, a financial analysis was completed by BFSA Senior Analyst II Nathan Miller and the four-year cost of the contract is estimated at $255M. A budget and financial plan were not submitted and, therefore, the BFSA cannot opine as to the affordability of the contract. The signing bonus and retroactive costs increases are able to be covered with federal rescue grant funds, but the out-year funding is unclear.

Chair Pro Tem Floss stated the BFSA is available to review contracts in a timely fashion and the BFSA Board should have been consulted prior to the District ratifying the labor agreement. The BFSA was formed to assist the City and covered entities, including the District, in an effort to provide appropriate fiscal analysis. District General Counsel Kuzma stated in 2016 the BTF contract was presented to the BFSA after ratification and the BFSA took the position that the BFSA Board cannot nullify the ratified contract as requested by a former Board of Education member. General Counsel Kuzma stated contracts will continue to be presented as a professional courtesy and not a requirement. BFSA General Counsel Richard Grimm responded that the BFSA Act states: "…during an advisory period the Authority is obligated to assess the impact of any collective bargaining agreement to be entered into by the City and such contracts that in the judgment of the Authority may have a significant impact on the City's long-term fiscal condition." It is of his legal opinion that the reference to the "City" includes the covered organizations of the City. The District's CBA will have a long-term effect on the City's fiscal condition and therefore need to be reviewed by BFSA. General Counsel Kuzma replied it is the opinion of the District is that there is no requirement that contracts be submitted to the BFSA prior to ratification during an advisory period as covered organizations are not mentioned, only the City is mentioned in the BFSA Act as required to submit contracts during a BFSA advisory period. Legal discussion continued between the two General Counsels.

Interim Vice-Chair Jurasek stated there should be mutuality and congeniality between the BFSA, the City and its covered organizations.

BCSD Third Quarter Report

Chair Pro Tem Floss advanced the agenda to review the District's third quarter report and asked Senior Analyst II Miller to provide the review.

Senior Analyst II Miller began with the following overview of significant events:

- January 1, 2023 – March 31, 2023: The District continued to experience labor shortages in several critical areas including:
  - ✓ Transportation
    - Bus Drivers (First Student employees)
    - Bus Aides (261 employees for 460 bus runs)
  - ✓ Instruction
    - Teachers (6.1% vacancy rate)
  - ✓ Building Management
    - Operating Engineers (37.9% vacancy rate)
- April 21, 2023: The Board of Education approved a labor agreement with the Buffalo Teachers' Federation
  - ✓ April 24, 2023 - The BTF ratified the CBA
  - ✓ BFSA estimates the CBA's current fiscal year net cost at $57.2M (AF)
    - BFSA estimates that $51.4M is funded via federal rescue grant funds

As of February 2023:

Senior Analyst II Miller provided and update on the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA) and American Rescue Plan Act of 2021 (ARPA) Elementary and Secondary School Emergency Relief (ESSER) II/III Plans:

- CRRSA–ESSER II
  - ✓ Requisitions and purchase orders end date: April 1, 2023; grant end date: September 30, 2023
- ARPA–ESSER III
  - ✓ Requisitions and purchase orders end date: April 1, 2024; grant end date: September 30, 2024

CRRSA/ARPA ESSER II & III Revised 3-Year Plan	2021-22 Adopted Budget	2021-22 Actuals	2022-23 Revised Budget	2023-24 Revised Budget	3-Year Total
Federal Funds	**$ in Millions**				
CRRSA–ESSER II	$51.9	$40.0	$49.2	$0	$89.2
ARPA-ESSER III	72.8	18.9	105.8	75.8	200.5
Total	**$124.7**	**$58.9**	**$155.0**	**$75.8**	**$289.7**

Senior Analyst II Miller turned to discussion on the General Fund noting the budget was adopted with a $34.6M deficit and the District is projecting a $3.6M deficit at fiscal year-end, a favorable variance of $31.0M. BFSA projects a $1.8M deficit at fiscal year-end, a favorable variance of $32.8M due to increased sales tax revenue and New York State (NYS) aid and the impact of the BTF labor agreement on the General Fund.

Revenues
Overall revenues are projected to be favorable by $6.0M:

- Erie County Sale Tax
  - District forecasts a $3.0M favorable variance
  - BFSA forecasts a $10.6M favorable variance
- NYS Aid (less Building Aid)
  - BFSA and District both forecast $3.0M favorable variance

Expenditures

- District forecasts a $25.0M favorable variance
  - There are 347 vacancies at March 31, 2023 which drives favorable budgetary variances
  - Does not incorporate new BTF agreement costs
- BFSA forecasts a $1.8M deficit and a $32.8M budget surplus which includes all current fiscal year (CFY) settled CBAs including the new BTF contract
- Interfund Transfers are forecasted to be unfavorable by $14.0M:
  - Adopted Budget was modified from $3.1M to $8.1M
    - $19.0M overall increase:
      - $12.0M: PS #008 renovations
      - $5.0M: All High Stadium renovations
      - $2.0M: Transfer to Summer Handicapped fund
- Reserve for Contingency – reallocated for settled labor agreements will be "zeroed-out" at CFYE as budget transfers will continue to be performed from this budget line to other lines including BTF-related expenditures. The Adopted Budget had $30.1M in Reserved for Contingency and the Modified Budget had $14.2M reserved for contingency. This amount exceeds the BFSA's General Fund estimated net cost for the BTF contract.

District school enrollment was reviewed:

- 2022-23 adopted budget was 32,800 for Buffalo Public and 10,839 for charter schools
- 2022-23 actual enrollment as of March 31, 2023 was 29,778 for Buffalo Public and 10,361 for charter schools

Chair Pro Tem Floss asked for the reason behind the large variance in the anticipated enrollment. District CFO Jim Barnes stated the 32,800 student enrollment number in the adopted budget included pre-k enrollment and the 29,778 is actual for kindergarten through grade 12. The pre-k through grade 12 enrollment has trended down for the past four years. It is unknown where the students have gone and the enrollment decreases are spread across all grades.

Senior Analyst II Miller stated that the District budget and actual enrollment counts both include pre-k through grade 12 enrollment. It was an "apples-to-apples" comparison.

Recommendations
The District's Modified Budget does not include the net CFY impact for the BTF labor agreement. BFSA's recommends that budget transfers be performed to reflect these costs. The District's 2024-2027 Financial Plan will need to include these new expenditures as well. Additionally, the District's 2024-2027 Financial Plan should be developed utilizing reasonable student enrollment numbers. The current 2023-2026 Financial Plan was predicated on enrollment numbers that were overstated and this key underlying assumption is no longer

reasonable based on most recent headcount/BEDS count. The reduction in the number of students is estimated at 1,174, which impacts not only the financial plan widely, but also the planned provision of educational services.

CFO Barnes thanked Sr. Analyst II Miller for the report and stated the recommendations will be incorporated in the budget and assumptions of the forthcoming four-year plan.

Interim Vice-Chair Jurasek asked if the declining number of students, specifically the number of pre-k students, effects the state aid allocation. CFO Barnes replied the pre-k program is funded through a universal pre-k grant and k through 12th grade receives foundation aid. Chair Pro Tem Floss suggested the BFSA could assist with a better forecasting method going forward.

Chair Pro Tem Floss thanked the BCSD representatives for attending the meeting and applauded their hard work on settling the BTF contract.

City of Buffalo (the "City")
Fiscal Year ("FY") 2023-24 Proposed Budget and 2024-2027 Financial Plan

Chair Pro Tem Floss advanced the agenda to the review of the City of Buffalo's FY 2024-2027 financial plan and FY 2022-23 third quarter report as submitted on May 1, 2023.

Principal Analyst Bryce Link began his review of the City's FY 2023-24 Proposed Budget and 2024-2027 four-year Financial Plan, stating revenues and expenditures for 2023-2024 are $582.0M and increase to $604.6M over the three out-years, a total of $2,363.2B in revenues and expenditures over the four-years of the financial plan.

The 2022-23 Adopted Budget included estimated revenues and expenditures of $566.7M, with a projected year-end of $572.2M in revenues and $572.1M in expenditures, for a projected year-end surplus of $0.1M. Estimated revenues and budgeted appropriations of $582.0M in the proposed 2023-24 budget represents a budget-to-budget increase of $15.3M and a year-end to budget increase of $9.8M.

Revenues
Total 2023-24 estimated revenue of $582.0M categorized by source includes:
- City $213.9M, or 36.8%
- NYS $192.1M, or 33.0%
- Erie County $111.3M, or 19.1%
- Federal $48.4M, or 8.3%
- Transfers In $11.2M, or 1.9%
- Other $5.1M, or 0.9%

The Taxes revenue category is projected to increase from $176.3M in FY 2023-24 to $179.9M in FY 2026-27 due to the increase in Real Property Tax Levy receipts, as they are anticipated to increase annually while the remaining taxes from the New York State School Tax Relief ("STAR") program, mortgage tax, payments-in-lieu-of-taxes ("PILOTs"), and all other taxes are expected to remain flat. It was noted that the proposed budget for 2023-24 has an additional $6.0M budgeted as prior-year arrears, funded through the City's ARPA-funded rescue plan, representing a one-time occurrence. Taxes represent 30.3% of total revenues in FY 2023-24. The real property tax levy is proposed at $158.9M, an increase of $5.9M, 3.8% compared to prior-year ("PY") tax levy.

Taxes are projected to increase 2.1%, or $3.7M, from $176.3M to $180.0M over the financial plan. The tax levy is projected to increase 1.9% annually over the financial plan. A City-wide reassessment is set to begin in 2023-24 and will be in effect in 2025-26. The City is currently utilizing 45.1% of available taxing levy, as the constitutional tax limit is $352.6M; therefore, a balance of $193.7M, or 54.9% of the constitutional tax limit is available. A 1.9% projected increase to the real property tax levy equates to an additional $3.1M to $3.2M annually.

A breakout of the total tax levy summary for 2023-24 was provided, including the rates for homestead and non-homestead tax rates.

Principal Analyst Link provided an example of the proposed tax increase for a $125,000 single family home as a $58, or 4.5%, increase.

Intergovernmental revenues over the 2024-2027 Financial Plan are as follows:

- $330.9M budgeted in 2023-24 represents 56.9% of total revenues
- Intergovernmental revenue category increases over the financial plan:
  - $4.6M (1.4%) to $335.5M in 2024-25
  - $3.5M (1.0%) to $339.0M in 2025-26
  - $9.4M (2.8%) to $348.4M in 2026-27
- The funds allocated under ARPA 2021 comprise a portion of the Intergovernmental revenues over the financial plan as follows:
  - $30.6M in federal aid in 2023-24, $19.4M in 2024-25, and $0M in the remaining out-years for revenue replacement
  - A total of $331.4M was awarded to the City
    - The City has projected to using $50.0M over the financial plan for lost revenues due to the pandemic
      - $40.0M was used in FY 2021
      - $11.0M was used in FY 2022
      - $46.8M is estimated to be used in FY 2023
    - The City intends to submit a revised ARPA plan reflecting reallocation of resources.
      - Current shortfall of $50.0M within the ARPA Recovery Plan
      - Financial Plan's revenue estimate is currently overstated

- Tribal State Compact casino revenue – the City included $52.0M in total casino revenue over the financial plan
  - Includes $11.0M in 2023-24 and 2024-25, increases to $15.0M in 2025-26 and 2026-27
  - BFSA requests additional support for estimates
  - Current Compact extension expires December 2023
- NYS Aid and Incentives for Municipalities (“NYS AIM”) – is held flat at $161.3M in 2023-24 and increasing by 5.0% in outyears 2 and 3 and by 3.0% in year 4:
    - Increase of $8.1M to $169.3M in 2024-25
    - Increase of $8.5M to $177.8M in 2025-26
    - Increase of $5.3M to $183.2M in 2026-27
    - BFSA requests additional support of estimates

- Sales Tax – is estimated at $111.3M in 2023-24 and increasing by $12.2M, or 11.0% to $123.5M in year 2026-27
  - An increase of $4.5M to $115.8M in 2024-25
  - An increase of $5.3M to $121.1M in 2025-26
  - An increase of $2.4M to $123.5M in 2026-27
- Sales tax collection increased by $17.8M, or 20.6% between 2021-22 and 2022-23 due to higher-than-expected sales tax collection
    - CFYE estimate of $108.2M is a $3.9M favorable variance compared to the budgeted amount of $104.3M

- Cannabis Excise Tax – is a new revenue source and a total of $51.1M was included in the 2024-2027 Financial Plan
  - $8.0M in 2023-24
  - An increase of $2.7M to $10.7M in 2024-25
  - An increase of $4.8M to $15.5M in 2025-26
  - An increase of $1.3M to $16.8M in 2026-27
  - Additional support behind the new revenue source is requested.

- Fines total $10.4M, or 1.8% of 2023-24 budgeted revenues
  - Fines increase by $1.4M, or 13.2% over the Financial Plan
  - Increase is attributed to Parking Tags Fines and Penalties
  - 2023-24 increase of $1.8M, compared to CFY, is attributed to implementation of school bus arm cameras

- Miscellaneous revenues
  - Miscellaneous revenues are budgeted at $16.1M in 2023-24 and represent 2.8% of budgeted revenues
  - Sale of capital assets budgeted at $4.5M in 2023-24
    - Increases to $5.8M in 2024-25
    - Estimated at $0.9M in 2025-26 and 2026-27
    - $3.1M is included in 2023-24 for the sale of a parking ramp

- All other revenues total $37.1M, or 6.4% of budgeted revenues in 2023-24 and are expected to decrease by $4.1M, or 11.1% over the Financial Plan
  - Interest income is budgeted to decrease $4.8M as ARPA funds are spent down

Expenditures
Proposed expenditures for FY 2023-24 total $582.0M:
- Fringe Benefits $181.0M, or 31%
- Interfund Transfers Out $98.4M, or 17%
- Police $95.8M, or 17%
- Fire $72.4M, or 12%
- Public Works $37.7M, or 7%
- Utilities $18.3M, or 3%
- All Other Departments and Expenditures $78.5M, or 13%

Year-to-year General Fund Expenditures are budgeted to increase from $566.7M to $582.0M, which represents an increase of $15.3M, or 2.7%.
- Total departmental spending of $276.3M:
  - Year-to-year budget increase of $9.9M, or 3.7%
  - Includes an increase of $11.3M, or 5.2%, for projected step and wage increases
    - $11.1M, or 5.5% for salary and wage increases
    - $0.2M, or 2.2% increase for fire overtime increases
  - An increase of $2.1M, or 21.6%, for services
  - A decrease of $3.0M, or 29.8%, for capital outlay
  - A decrease of $0.6M, or 6.3%, for supplies
  - Police Department is increasing by $5.2M
    - $6.1M increase for step-progression and arbitration award
    - $0.9M decrease for capital outlay
  - Fire Department is increasing by $1.4M
    - $1.7M increase for step-progression
    - $0.2M increase for overtime
  - All other departments net increase of $3.3M
    - An increase of $3.9M for personal services
    - An increase of $1.7M for services
    - A decrease of $1.6M for capital outlay
    - A decrease of $0.7M for supplies
  - Estimated amounts included for future labor contract settlements budgeted in fringe benefits

- Total general charges spending of $207.3M:
  - Year-to-year budget increase of $12.9M (6.6%) with fringe benefits increasing by $11.7M (7.3%) and all other general charges increasing by $1.2M (0.6%)
  - Largest cost escalator is contributions to PFRS which is budgeted at $39.0M, an increase of $4.0M (11.4%)
  - ERS contributions are increasing $1.8M (22.0%)
  - Increase for active employee health insurance is $2.3M (5.1%) and is budgeted at $47.8M
  - Increase for retiree health insurance is $2.1M (5.0%) and is budgeted at $44.4M

    - Salary adjustment line is included at $8.5M, an increase of $0.8M
        - Decreases over the three out-years of the Financial Plan as the City anticipates settling contracts and the associated costs will be reflected at the Departmental level budgets
    - All other general charges increasing by $1.2M (0.6%)
- Transfers Out are decreasing by $7.5M to $98.4M
    - Decrease of $7.5M for principal and interest on outstanding debt

- Over the Financial Plan expenditures are projected to increase $22.6M, or 3.9 percent, with departmental costs increasing $12.5M (4.5%) and general charges increasing $4.7M (2.2%):
    - Departmental expenditures are projected to increase by $3.1M in 2024-25 due to:
        - Police department is increasing $2.1M, $2.3M is attributed to personal service increases
        - Fire department is increasing $1.1M, $1.3M is attributed to personal services increases
        - Public Works is decreasing by $0.8M, $0.9M is attributed to a decrease in service contracts. The City is increasing the amount of outside service contracts as a response to the two significant snow storms in 2022
        - All other departments are increasing $0.7M

- Average annual increase is 0.7%
    - General Charges increase of 0.4% in 2024-25, 0.8% in 2025-26 and 1.0% in 2026-27
        - Fringe benefits are increasing $3.8M (2.2%) over the Financial Plan
            - Health insurance increasing by $4.2M (4.6%), approximately 1.5% annually
            - Pension payments are increasing by $1.5M (3.1%), approximately 1.0% annually
            - Salary adjustment line is decreased by $3.0M (34.9%)
        - Utilities are increasing $0.5M (3.0%) over the Financial Plan

- Interfund transfers out increase by $5.4M over the Financial Plan for debt service
    - Interfund transfers out total $98.4M in 2023-24 and increases to $103.8M in 2026-27:
        - Transfer to the School District is flat at $70.8M
        - Transfer to Capital Debt Service Fund at $27.2M increasing to $32.6M in FY 2027
        - Transfer to Capital Projects Fund is flat at $400,000

Staffing is held flat over the financial plan at 2,745 FTEs, which reflects a decrease of 6 budgeted positions in the CFY. Police officers are held flat at 812 and uniformed Fire department personnel are held flat at 742 over the Financial Plan.

Hearing no questions or comments Principal Analyst Link gave the floor to Executive Director Robe to present the summary of findings.

Executive Director Robe thanked staff, the Mayor and his team, Commissioner of Finance Dowell and his team, for all the hard work that went into the development of the plans. Principal Analyst Link was also thanked for diligently working on the analysis.

Summary and Recommendations

- There is a significant amount of economic uncertainty facing the U.S. and the global economy that could impact the City's financial operations:
  - The U.S. has encountered high inflation since 2021. To combat inflation, the Federal Reserve has raised interest rates several times; current rate is 5.25%. There are signals inflation is abating and the Federal Reserve may be done increasing rates.
    - This raising of rates has increased mortgage rates substantially which has impacted the housing market
    - Raising of rates considered a key factor in recent bank failures; this continues to be a risk domestically and internationally
  - Work-from-home initiatives have changed how Americans are working, which in turn threatens the value of commercial properties as leases expire and office space is vacated
  - Ongoing risk of recession
  - Positive report on sales tax as increased collections continue; State Comptroller reported sales tax in Erie County increased 5.8% over last year for January through March 2023
  - The 2023-24 Proposed Budget includes 3.8% increase in the tax levy and increases to the refuse fee; such increases appear reasonable and financially responsible in current economic climate
- Important to note that a key underlying assumption in the development of the financial plan is that it was constructed assuming the existing economic conditions remain consistent including the continued economic recovery from the pandemic
- The 2023-24 Proposed Budget includes $30.6M in federal ARPA revenue replacement funds and requires an immediate revision of the City's ARPA spending plan. There is an additional $6.0M of ARPA funds allocated to assist in the payment of outstanding property taxes.
- The pressure in the Financial Plan is visible as ARPA funding is no longer available in the General Fund beyond 2024-25 and recovery continues. ARPA revenues are replaced with a twofold approach in assumptions; the first is a gradual return to pre-pandemic revenue streams as the recovery continues, the second is revisions to certain revenue estimates and inclusion of a new revenue stream
  - Cannabis Tax is a new revenue. It is budgeted at $8.1M in 2023-24, it increases annually over the Financial Plan to $16.8M in 2026-27, and totals $51.1M over four years. We have requested detailed underlying support to be able to determine the reasonableness of this projection.

- TSC Casino revenue totals $52.0M over the Financial Plan. The agreement between the State and the Seneca Nation expires this December. The City has forecasted increases in the last two years of the Financial Plan in the total amount of $8.0M. We have also requested underlying support to be able to determine the reasonableness of this projection
- The City has forecasted increases to State AIM of approximately $22M with annual increases between 3.0 and 5.0%. We have also requested underlying support to be able to determine the reasonableness of this projection

- The total amount of these three revenue estimates is $81.0M.
- Additional key findings are summarized at the end of our report:
    - The Financial Plan relies on $18.1M of nonrecurring, one-time revenue, excluding ARPA revenue replacement funds, which will need to be replaced going forward and this revenue is projected to be used for recurring operations
        - Indicative of an operational imbalance as such funding is not sustainable
    - The City has increased overtime in the proposed budget by $0.7M combined for the police and fire department
        - Based on history, may continue to be underestimated
        - Due to the difficulty in predicting these costs and significant reduction in vacancy savings as positions are filled, we recommend that overtime continue to be closely monitored
        - There are areas that are more sensitive to fluctuation that we recommend continue to be monitored including parking meter fees, parking tickets, fines and fees and traffic violation fines. Additionally mortgage tax should be monitored due to the disruption in the housing market
    - Sales tax is a budget positive within the Financial Plan and provides an additional $19.2M in funding. We are comfortable with this projection.
    - Fund balance levels are within the range established by the GFOA for the maintenance of minimum levels. While there is no provision for increasing fund balance over the Financial Plan, the Rainy Day Fund is maintained over the plan
        - $41.2M - Rainy Day Fund
        - $17.5M - assigned fund balance
        - $24.0M - unassigned fund balance
    - The City is maintaining its contribution to the District of $70.8M annually
    - The proposed increase in refuse rates should allow the fund to be self-sufficient. There continues to be $15.7M due to the General Fund which is reported as a reserve to fund balance. Repayment of this loan would increase unrestricted reserves in the General Fund.

Commissioner Dowell responded to several points of the analysis as follows:

- With respect to the increase in NYS AIM, he indicated the City Administration will be in negotiations with the Governor Hochul to advocate for an increase as there hasn't been one since 2012
- Revenue from the Cannabis tax was initially budgeted at $8.0M and has since been reduced to $3.0M
- Amendments to the ARPA spending plan are to be filed with the Common Council by May 31, 2023
- TSC revenue is expected to increase as the number of machines and players have increased

Commissioner Dowell then shared a presentation of the City finances in comparison to similar cities across NYS.

Chair Pro Tem Floss thanked Commissioner Dowell for the presentation and asked if commercial property tax has been negatively affected by an increase in remote work and has it been reflected in the revenue estimates. Commissioner Dowell responded that the Administration is aware of the need to encourage workers to come back into the office and the Administration will keep a close eye on any changes. Chair Pro Tem Floss underscored the importance of utilizing the commercial space available before committing to the buildout of additional workspace.

Hearing no additional comments or questions, Chair Pro Tem Floss advanced the agenda and gave the floor to Principal Financial Analyst Link to begin his review of the City's third quarter report.

City of Buffalo 2022-23 Third Quarter Summary

As of the end of the third quarter the City is projecting a minor surplus of $100,000.

- Revenues are projected to be higher at $572.2M than the budgeted $566.7M, a favorable variance of 1.0%.
- Expenditures were higher than budgeted at $572.1M, or an unfavorable variance of 0.9%
- When the ARPA program funds are reconciled, the adjustment will result in a revision to the City's projection up to a $7.7M surplus
- Total revenue projection is $5.5M favorable to the Adopted Budget:
    - Interest income earned on the ARPA funds exceeded budgeted by $8.2M, or 8210.5%
        - These funds can be reinvested for General Fund operations
    - Intergovernmental revenues are projected to have a $2.5M favorable variance at year-end
        - $3.9M favorable variance attributed to sales tax
        - $3.2M favorable variance for Medicare Part D reimbursement
        - A decrease of $5.0M for the planned use of ARPA revenue replacement funds
    - Miscellaneous revenue is unfavorable by $3.5M, with $3.3M attributed to delay of property sales
    - Service charges are unfavorable by $1.2M

- Expenditures are projected to be unfavorable by $5.4M at year-end, including $3.7M unfavorable variance in Departmental expenditures
    - Police has an unfavorable variance projected of $6.3M, or 6.9%, as compared to budget which was primarily driven by the arbitration award from July 2022 and overtime.
    - Public Works had an unfavorable variance of $6.0M, or 16.6%, as compared to budget due to the two winter storms and clean-up.
    - Remaining departments projected to have a favorable budget variance of $8.5M, due primarily to vacancies
- General Charges are projected to have a favorable variance of $6.9M at year-end
    - $6.8M favorable variance in fringe benefits and personal services
        - $8.5M favorable variance for health insurance
        - $2.0M unfavorable variance for the salary adjustment line
    - $0.7M favorable variance in utilities
    - $0.9M unfavorable variance in the other category
- Transfers out are unfavorable by $8.5M
    - Expected to be offset with ARPA program revenue at year-end

As of March 31, 2023, vacant positions continue to remain unfilled as the City has 2,751 budgeted positions and 2,388 filled FTEs; a vacancy rate of 363 or 13.2%. Police has 812 positions budgeted and 754 filled, a vacancy rate of 58 or 7.1%. Fire has 743 budgeted positions and 660 filled, a vacancy rate of 83 or 11.2%.

Summary

- No budget difficulties projected
- Includes $12-15M of costs estimated for two winter storms
- FEMA reimbursement is expected but not included in the projection as timing is unknown
- Positive variances in both sales tax and interest revenue has allowed the City to reduce the amount of Federal ARPA funds planned to be used
- The City is planning on using $46.8M in Federal ARPA revenue replacement funds
- A year-end reconciliation of $7.6M is to occur, recognizing the use of ARPA program funds
- ARPA – awarded $331.4M:
    - Obligated $86.1M, of which $67.5M has been disbursed
    - City Administration has indicated use of ARPA is being closely monitored to deadlines
    - Approximately 74% of funding allocated for programs, services and capital projects have not yet been obligated, equivalent to $245.2M
    - All funds are to be obligated by December 31, 2024 and expended by December 31, 2026

Hearing no comments, Chair Pro Tem Floss advanced the agenda to review of the Buffalo Urban Renewal Agency by Principal Analyst Link.

Buffalo Urban Renewal Agency ("BURA")
2022-23 Third Quarter

Summary

- HUD entitlement awards for 2022-23 were reviewed
- No significant variance to expenditures through third quarter
  - $9.9M expended through March 31, 2023
- Entitlement Fund - Year 48 funds were released in December 2022
- 28 out of 41 positions filled
- Salaries and fringe benefits total $2.7M
- Budget to actual revenues were lower by $9.7M, or 49.4% and budget to actual expenditures were unfavorable by $10.0M, or 50.3%
  - Variances are timing related and were driven by the delayed drawdown of CARES Act funding and ARPA funding for programs
- It is expected that all funds will be reconciled at year-end

Proposed 2023-24 Budget and 2024-2027 Financial Plan

- BURA has received the Year 49 Entitlement Funds award notice from HUD
- BURA has received several additional funding sources/grants, which are reflected in the 2024-2027 Financial Plan and include:
  - $6.2M from the City of Buffalo HOME ARPA
  - $4.8M from the ARPA Affordable Housing Advancement Fund
  - $2.3M from the CDBG-CV Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding
  - $1.6M for the lead hazard grant
- Out-year revenues are budgeted conservatively with decreases attributed to the spenddown of outside grants, CDBG-CV and ARPA funds:
  - 11.3% decrease in 2024-25
  - 6.6% increase in 2025-26
  - Flat in 2026-27
- Subrecipients receive approximately $3.1M of entitlement funds from BURA in year one and the amount increases to $3.3M by year four; the timing of the projects can fluctuate from year-to-year

HUD Entitlement Funds Allocation:

- Community Development Block Grants (CDBG): BURA received $6.8M; City received $6.3M
- HOME (HOME): BURA received $3.6M; City received $185,715
- Emergency Shelter Grants (ESG): BURA received $0; City received $1.2M
- Housing Opportunities for Persons With Aids (HOPWA): BURA received $0; City received $1.0M
- Entitlement funds are reduced year to year by $179,340, with CDBG, HOME and ESG funds decreasing by $270,325 on a net basis and HOPWA is increasing by $90,985

Revenues

- Out-year revenues are budgeted conservatively. Compared to the FY 2023-24 budget of $16.9M, decreases are attributed to the spenddown of outside grants, CDBG-CV and additional ARPA funds:
    - $15.0M of estimated revenue projected for 2024-25
    - $16.0M is projected annually in 2025-26 and 2026-27

Expenditures

- CDBG has been budgeted in the amount of $6.8M, consisting of $4.3M for program delivery and $2.5M for administrative costs.
- HOME has been budgeted in the amount of $3.6M, consisting of $3.2M for program delivery and $0.4 M for administrative costs.
- The formula for calculating administrative costs have not changed

Additional Items of Note:

- Includes resources in the first three years of financial plan for negotiated labor agreement between BURA and Local CSEA 815
    - Current CBA expires June 30, 2026
- BURA is including prior year allocations as a current year resource and in the out-years for CDBG and HOME Funds
- Revenue forecast is conservative in the out-years and includes 2% increases for entitlement funds
- There is adequate funding for administrative costs
- BURA does not participate in the City of Buffalo's self-funding of health insurance and continues to maintain coverage through Blue Cross Blue Shield
    - Annual increases of 2.5% are included in the Financial Plan
- BURA is holding 31 properties valued at $3.2M
    - Intent is to continue to strategically assess portfolio and sell properties
- Neighborhood framework plan is ongoing
    - Allows multiple stakeholders the ability to coordinate with each other on agreed-upon housing goals and objectives
- BURA staff is increasing by one position year-to-year from 41 to 42 and holding at 42 positions over the Financial Plan
    - Currently there are 28 positions filled and BURA is actively working to fill the additional 14 openings

Conclusions

- 2024-2027 Financial Plan is balanced
    - To be revised, if necessary, after amended City of Buffalo Rescue Plan is received
    - To be revised to reflect the additional HOME ARPA funds awarded by HUD to the City.
        - It is expected BURA will be named as subrecipient
        - Total award - $12.3M
        - Funds must be obligated by September 30, 2028 and disbursed by September 30, 2030
    - BFSA recommends management continue to monitor the plan as decreases to revenue would place pressure on BURA

- The Financial Plan appropriately reflects the available CARES funding and ARPA funding, and other resources and required timing of the use of such funds
  - ARPA dollars must be obligated by December 31, 2024 and spent by December 31, 2026

Chair Pro Tem asked BURA Director of Finance Tracy Cooley if BURA has the staff to be able to utilize the ARPA funds within the required timeframe. Director of Finance Cooley responded that an additional four positions have been allocated to assist with the projects and spenddown within the appropriate timeframe.

Executive Director Robe commended BURA Administration on the Financial Plan and acknowledged the shift to a more comprehensive plan.

Hearing no questions or comments Chair Pro Tem Floss advanced the agenda for a review of Buffalo Municipal Housing Authority by Senior Analyst II Miller which provided the following information.

<u>Buffalo Municipal Housing Authority ("BMHA")</u>
2022-23 Third Quarter Review

- Marine Drive Redevelopment Update
  - February 9, 2023 - BMHA officials announced that the Marine Drive Apartments will be demolished and rebuilt
    - The project is expected to include three phases, include the replacement of the existing eleven towers with new structures, and cost in excess of $400.0M
    - BMHA officials have conveyed that a complete replacement of the existing facility is more cost-effective than retrofitting/repairing the existing structures
    - BMHA officials have not yet provided program details
- Asset Management Program (AMP) Redevelopment Update
  - March 17, 2023 – BMHA management provided an overview of the 2023-2024 Annual Action Plan
    - Mixed finance modernization or development
      - Commodore Perry Home Revitalization Plan
      - Shaffer Village Revitalization Plan
  - Demolition and/or disposition
    - Commodore Perry Homes
    - Shaffer Village
  - Conversion of public housing to project-based assistance under the Rental Assistance Demonstration (RAD) program
    - Shaffer Village (233 units)
    - AD Price Courts (123 units transfer to Marine Drive Apts.)
    - Commodore Perry Homes (284 unit conversion to PBRA)

BFSA Area of Note

- The Marine Drive 2022-23 Adopted Budget and 2023-2026 Financial Plan is not balanced
  - A four-year deficit of $1.0M is projected with a $1.8M total cash outflow projected over the same period

        - Note: Revenues projected to exceed expenses beginning in 2024-25 (2024-2027 Financial Plan)
    - BMHA Response –
        - Submission of a request to NYS Homes and Community Renewal to increase rents, potentially yielding an additional $250,000 in annual dwelling income Request to designate 200^{+} apartments as project-based housing voucher units, potentially yielding an additional $0.8M in annual revenues

Marine Drive Adopted Budget for FY 2022-23 third quarter

- Total expenses were 37% greater than budget-to-date and 100% of total budget
- Total expenses were budgeted at $3.7M and totaled $3.7M at the end of the third quarter

Consolidated FY 2022-34 Revenues

- Total revenue for 2022-23 Adopted Budget was $54.9M
- Actual as of March 31, 2023 was $42.4M
    - A positive variance of $1.2M was driven by Net Dwelling/Non-Dwelling Income having a positive variance of $1.2M

Consolidated FY 2022-23 Expenses

- Total expenses for the 2022-23 Adopted Budget were $52.5M
- Actual as of March 31, 2023 was $41.3M
    - A negative variance of $1.9M was driven by Utility expenses (impacted by both consumer usage and inflationary pressures)

Chair Pro Tem Floss noted that climate change will likely drive Utility expenses higher as seasonal weather patterns change.

BMHA staffing included 168 positions in the 2022-23 Adopted Budget. As of March 31, 2023, there were 145 positions filled, resulting in a vacancy rate of 13.7%. Nine positions are eliminated in the 2023-24 Adopted Budget; factoring these reductions in would reduce the vacancy rate to 8.8%.

Summary

- BMHA is operating within its overall budget as of March 31, 2023
- Total revenues exceed budget-to-date by $1.2M including $1.2M in Net Dwelling/Non-Dwelling Income and $0.7M in Public Housing Authority grants
    - Rental receipts were underbudgeted, as 2022-23 is the first full fiscal year since 2018-19 wherein a governmentally imposed eviction moratorium has not been in place
- Total expenses were unfavorable overall by $1.9M
    - Utilities were over the budget-to-date amount by $1.7M
    - Maintenance expenses were over the budget-to-date amount by $1.7M
    - General expenses and Administrative expenses were favorable by $1.3M and $0.6M

Conclusions

- BMHA has taken steps to address the structural deficits within the Marine Drive Adopted Budget and Financial Plan
    - BMHA has not responded to requests verifying the status of these actions
- Future information related to the redevelopment of Marine Drive has not yet been provided
    - BMHA has not provided BFSA with detail including the proposed project cost and funding

Chair Pro Tem Floss asked if the excess maintenance costs were associated with the two snowstorms. Sr. Analyst II Miller responded that the storms more than likely contributed to increased maintenance and utility costs.

Hearing no additional questions, the presentation resumed.

BMHA 2023-24 Adopted Budget and 2024-2027 Adopted Financial Plan

Senior Analyst II Nathan Miller began his presentation with the following introduction:

- The 2023-24 Consolidated Adopted Budget and 2024-2027 Consolidated Financial Plan was submitted to the BFSA on May 1, 2023
- The Financial Plan includes the individual budgets and financial plans for the combined twenty-two AMPS, the Central Office Cost Center (COCC), the Marine Drive Apartments and the Housing and Urban Development (HUD) Housing Choice Voucher Program (Section 8)
- The Financial Plan includes the individual financial plans and a consolidated financial plan
- The individual budgets and financial plans of the operating segments do not cross-foot to the Consolidated Adopted Budget and Consolidated Adopted Financial Plan
    - BMHA has been requested to submit a revised plan to address the errors
    - BFSA's analysis is based on the four individual adopted budgets and financial plans
- Economic factors impacting BMHA's Adopted Budget and Financial Plan
    - The Congressional approval of HUD funding levels
    - Local, inflationary, recessionary recovery, and unemployment trends that affect resident incomes and the number of eligible recipients
    - Uncertainty regarding impact of COVID-19 on operational and financial performance and impact on HUD funding, tenants, employees, and vendors
- FY 2023-24 Adopted Budget revenues total $58.8M
- Expenditures are projected at $56.1M
- The HUD subsidy is budgeted at $25.2M for FY 2023-24 and increases by 9.5% over the financial plan
- Total revenues increase by 7.5% over the Financial Plan
- Expenditures are projected to increase by 2.3% over the Financial Plan
- The number of budgeted positions for FY 2023-24 totals 159 and is held flat over the Financial Plan
- Total employee salaries and benefits are budgeted at $15.8 M in FY 2023-24 and are projected to increase by $0.7M to $16.5M over the Financial Plan

The AMP program provides the largest resource of revenues. The FY 2023-24 AMP Adopted Budget depicts $3.3M in net operating income. The cash impact after a $1.8M debt service principal reduction and removing the non-cash $1.5M other post-employment benefits (“OPEB”) accrual is budgeted at $2.5M.

The COCC is the business unit of BMHA and operates as a property management company, financially supported through fees earned by overseeing business activities. The BMHA has budgeted a FY 2023-24 net operating loss of $0.6M. A net loss is projected in each fiscal year at a cumulative $2.7M. There may be additional Section 8 revenues to close deficits.

Marine Drive shows an operating income loss in all four years of the financial plan. The FY 2023-24 Adopted Budget reflects $3.7M in revenue and $3.7M in expenses. The cash impact is budgeted at a loss of $0.1M over the financial plan.

- Budgeted $0 net operating income in 2023-24
  - The 2023-24 cash impact is budgeted at $(0.2M)
  - The four-year cash impact is projected to be $0.1M
- The first two FYs depict a cashflow deficit

BMHA’s Administration is pursuing the following options to address the funding issue with Marine Drive:

- BMHA has taken two actions to address Marine Drive’s budgetary shortfall
  - Applied to the New York State Homes and Community Renewal
    - Increase to Marine Drive’s flat rents, potentially yielding an additional $250,000 in additional annual dwelling income.

It is unclear what the proposed rent schedule would be. Executive Director Robe stated low-income units would be in a voucher program and non-low-income units would become market rate.

    - Designate Marine Drive apartments as project-based housing voucher units, potentially yielding an additional $0.8 M in additional, annual revenues
  - These revenue increases are not reflected within the Marine Drive Financial Plan

- Section 8 is largely a passthrough fund. Any reported surplus or deficit is temporary in nature as the program self-balances.

Conclusions

- All collective bargaining units and non-represented employees have expiring contracts
  - The ratified labor agreements with Local 264 and with Local 409 expire on June 30, 2023
  - BMHA included a 9.6% in average employee compensation in 2023-24
    - Budget-to-budget increase of 1.8% factors in reduced budgeted positions
  - The 2% inflationary factor applied to employee salaries in the Financial Plan appears to reasonably estimate the impact that settling these labor agreements will have
- Net income is projected in each of the four years of the Financial Plan

BMHA has budgeted the HUD Operating Subsidy based on a 104% proration. The current proration rate is 95%. There is a risk to the plan that revenues are decreased in the event the actual proration is less than 104%. Additionally, Congressional funding levels are uncertain. Revenues could potentially be overstated by the additional $1.2M operating subsidy provided to BMHA annually until four months of operating reserves are available; this could impact the last three years of the Financial Plan. BMHA will adjust future plans as necessary and BFSA considers this a mitigated risk as the intent of the program itself is to assist PHAs to achieve a minimum level of financial stability.

County Executive Poloncarz (proxy Cornell) exited the meeting at 3:20PM.

Hearing no comments or questions, Chair Pro Tem Floss stated the review of the Financial Plans have been completed in accordance with the BFSA Act. A resolution was distributed by email and will be voted on at a future Special Meeting to be set up by Executive Director Robe. The resolution declares the City's 2024-2027 Financial Plan incomplete for the following reasons:

1) The Financial Plan excludes the individual Financial Plan of the District.
2) The BFSA is unable to make a determination as the reasonableness of certain revenue estimates and requires the Mayor to submit supporting documents and or reasonable underlying assumptions for the stated estimates
    a. Recognizing federal stimulus for revenue replacement exceeds that which is reflected in the current approved City recovery plan and requires the submission of a revised and approved recovery plan that provides adequate resources for the federal stimulus dollars as included in the proposed budget and financial plan.

Commissioner Dowell has indicated the revised ARPA plan is in process and will be forwarded. The resolution will be voted on during a subsequent Special Meeting.

Chair Pro Tem Floss noted that quorum was not present and stated Executive Session will be convened at the forthcoming Special Meeting. Chair Pro Tem then asked for a motion to reconvene at when quorum is present and asked for a motion to adjourn.

Interim Vice-Chair Jurasek made a motion to adjourn.
Chair Pro Tem Floss seconded the motion.

The Board voted 3 to 0 to adjourn.
The Board adjourned at 3:24 P.M.